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Memorandum of Conversation

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DATE: May 28, 1959

SUBJECT: Volta River Project

PARTICIPANTS: Mr. J. Burke Knapp, Vice President, International Bank for Reconstruction and Development.
Mr. S. R. Cope, Director of Operations, Europe, Africa and Australia, International Bank for Reconstruction and Development.
Mr. Howard Parsons, International Bank for Reconstruction and Development.

Mr. J. C. Satterthwaite, Assistant Secretary, AF
Mr. George Dolgin, Politico-Economic Advisor, AF
Mr. C. Vaughan Ferguson, Jr., Director, AFS
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Mr. Knapp, at his request, called on Mr. Satterthwaite to discuss the Volta River Project.

Mr. Knapp prefaced today's discussion by stating that the IBRD has heard about the Volta River Project for some years; that in 1956 the Bank sent a small group to Ghana to conduct an economic survey; that the team did not make a study of the Project as such, but, based on the 1956 Report of the Preparatory Commission on the Volta River Project which it tried to fit into its report, concluded costs of the Project were too high and the size of the Project too great for Ghana's economy to carry at that time; that the Bank for some time did not hear anything about the Project except for what appeared in the papers; that the Bank had received a copy of Kaiser's Reassessment Report which it had studied only informally and Ambassador Chapman's recent visit to the Bank was somewhat of a surprise.

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Mr. Knapp ted Ambassador Chapman reviewed recent developments with regard to the Volta P and outlined his recent discussions with Mr. Dillon. Apparently as t of Ambassador Chapman's talk with Mr. Dillon and instructions from his G ment Mr. Knapp said Ambassador Chapman explained Ghana's interest and need for determining adequate rates for power which would facilitate a decision of the aluminum companies to invest in an aluminum smelter. The Ambassador, he said, requested the Bank's assistance in this regard as well as its help in putting together a financial package. Mr. Knapp said he explained to Ambassador Chapman the Bank's current interest rate for projects similar to Volta is 6 percent with repayment running anywhere from 20 to 25 years. In any event Mr. Knapp said he told Ambassador Chapman the Bank would need time to study the Kaiser report, look at the new scheme as developed in the Kaiser report within the context of Ghana's economy, and check with the United States Government.

Mr. Knapp expressed surprise that Mr. Dillon told Ambassador Chapman DLF's rate of interest for projects such as the Volta would be $3\frac{1}{2}$ percent. Mr. Knapp was informed the Department had checked with DLF and was told DLF's rate of interest for similar dam projects had been $3\frac{1}{2}$ percent. Mr. Knapp inquired whether DLF would be willing to consider a loan as high as $100 million. It was generally agreed that while no DLF sum had ever been mentioned it seemed unlikely the DLF would consider loaning Ghana a sum anywhere near $100 million. To Mr. Knapp's inquiry whether the British would be willing to put anything into the Project, Mr. Dolgin replied it was our opinion the British would not be inclined to invest in Volta since their investing in Ghana would open the door to similar requests from members of the Commonwealth. Mr. Knapp said he was inclined to agree with Mr. Dolgin's assessment.

Mr. Knapp inquired what other sources are available within the United States Government for financing the Volta Project. It was pointed out there are no sources other than DLF and the Exim Bank and there was little likelihood of special grant assistance.

It was Mr. Knapp's opinion that there are a number of major questions to be answered before the Volta Project can get underway - some of which can be answered only by Ghana and others only by the investors themselves. In this connection Mr. Knapp mentioned aluminum companies today are looking all over the world for power sites; that several power developments within Africa, such as, the Konkoure in Guinea, the vast Inga development in the Belgian Congo, and Kouilou in French Equatorial Africa are more promising than Volta. Market-wise he said there are also a number of interesting questions, for example, where would the aluminum produced in Ghana be marketed - in Europe or in the common market area? The answer to this he said depends upon whether Ghana becomes a member of the European Economic Community.

Mr. Knapp stated the main point is that everyone (the aluminum companies) is looking all over the world for sources of bauxite and sites for aluminum smelters. A number of the companies he said have sites in Latin America and tremendous bauxite discoveries have been made in Australia and Borneo. These facts he said mean very favorable conditions will have to be offered to attract aluminum companies.

To attract aluminum companies, Mr. Knapp said the following questions would

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need to be answered: (1) what will be the price of power; (2) what kind of country is Ghana, in other words, what is its future, does it have political stability; and (3) what can it offer to the investor in the way of guarantees?

Mr. Ferguson replied that the Department considers Ghana to be one of the most stable countries in Africa today and pointed out Ghana had signed an Investment Guaranty Agreement with ICA.

Mr. Knapp said Kaiser's Reassessment Report had done several things: (1) it had made major changes in the Project, such as, lowered the cost, relocated the dam and smelter sites and discovered new bauxite deposits much closer to the harbor which cut transportation costs; (2) it faced up to the fact that power can never be developed cheap enough if there is just an aluminum project and indicated there must be a development of an industrial market in addition to an aluminum smelter if Ghana is not to subsidize or carry the cost of selling power to the aluminum companies at a cheaper rate. This new complex problem of finding industrial markets he said requires the Bank to look into Ghana's economy. To do this, he said, it will be necessary for the Bank to conduct a new survey of Ghana's economy.

When asked what the IBRD had informed Ambassador Chapman it would do with regard to the Volta Project, Mr. Knapp said he indicated to the Ambassador that the Bank hoped to have a reply for him prior to his departure for Ghana on June 4 for consultation and home leave. Although Mr. Knapp did not explicitly state today that the Bank would be willing to act as the "focal point", as suggested by Mr. Dillon to Ambassador Chapman, a statement by him to the effect that the "monkey is now on our back" would seem to indicate the Bank will do what it can to assist Ghana in developing and arranging some sort of financial package.

Mr. Knapp mentioned that Mr. Black had not had an opportunity to speak to Mr. Dillon about the Volta Project but they would undoubtedly be in touch with each other upon Mr. Black's return to Washington within the next few days.

Mr. Knapp promised to keep in touch informally with the Department regarding the Volta Project.

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